



Policy Study No 115

An African enterprise

Britain and South Africa
post sanctions, post apartheid

Kenneth Costa



CENTRE FOR POLICY STUDIES



Policy Study No 115

An African enterprise
Britain and South Africa
post sanctions, post apartheid

Kenneth Costa

CENTRE FOR POLICY STUDIES
8 Wilfred Street, London SW1E 6PL
1990

The author

Kenneth Costa is a director of a leading City merchant bank with responsibilities in the fields of corporate finance. He read law and philosophy in the University of Witwatersrand in Johannesburg. He graduated from Cambridge University with a Master of Laws degree and the Certificate in Theology.

In the 1987 general election he fought Birkenhead for the Conservative Party.

Acknowledgement

I should like to thank all those who helped with this paper and Oliver Knox in particular for his editorial assistance.

Support toward research for this study was provided by the Institute of Policy Research.

The Centre for Policy Studies never expresses a corporate view in any of its publications. Contributions are chosen for their independence of thought and cogency of argument.

ISBN 1-870265-50-5

Centre for Policy Studies, May 1990

Printed in England by G. Donald & Co. Ltd.

Unit 2, The Kimber Centre, 54 Kimber Road, London, SW184PP

Contents

	<i>Page</i>
Introduction	5
2 The President breaks rank	9
3 Negotiations are a process	13
4 Recent developments	16
5 Britain and South Africa	18
6 Yesterday's debate	19
7 Sanctions: the talisman	23
8 The lifting of sanctions	25
9 Post apartheid society	27
10 Apartheid: racial socialism	30
11 The return of foreign capital	32
12 Conclusion: a new initiative	34

Introduction

THE RELEASE OF NELSON MANDELA AFTER 27 YEARS IN GOAL, WAS rightly hailed as being of international significance. It marked not only a victory for humanity but also gave the first real public signal that apartheid was about to expire. By the release of Nelson Mandela, and through the changes of policy announced to accompany his release, the custodian of apartheid for over 40 years, the South African National Party, signalled that it was no longer prepared to defend the culture of apartheid. The National Party has led South Africans on a 40-year Mosaic journey into the international political wilderness; the trek back to civilised values has now begun.

Yet it would be a mistake, in the celebrations surrounding the release of Nelson Mandela, to accord him qualities of faultless political judgement. In the negotiations ahead the best course is not going to be determined simply by reference to his views on the topical issues. With one man so dominant in world headlines, we should not underestimate the role of Mr F.W. de Klerk, State President. It was after all he who reversed the drift of official party policy. Mounting international and other pressure might well have contributed towards Nelson Mandela's eventual release, but de Klerk released him as quickly as possible. He went the extra mile in his address at the opening of Parliament on 2 February 1990. He unbanned the African National Congress, the Pan Africanist Congress, the Communist Party and over 30 other anti-apartheid organisations – against all of whom anathemas had been regularly pronounced by his predecessors. He promised to free political prisoners. He announced a moratorium on hanging. He lifted censorship of the press. The repeal of the Separate Amenities Act was guaranteed, and the period of detention without trial was limited to six months.

His predecessor the irascible P.W. Botha would not have been prepared, for all his rhetoric on the need for the reform of apartheid, to take such steps. He might have been prepared to release Nelson Mandela but only grudgingly and as a concession extracted by, and given to assuage, hostile international opinion. He showed no real commitment to any fundamental reshaping

of South African society. True, the repeal of the Mixed Marriages Act, the relaxation of the Pass Laws, the legalisation of black trade unions and the phasing out of the requirement for separate amenities for blacks and whites were of his making. But he was intransigent on group rights, i.e. the entrenchment of privilege for the whites, and constitutional servitude for the majority blacks.

The significance of the leadership of de Klerk, reflected in his speech at the opening of Parliament, lies not only in its contents but in the decisive break with the purely nominal 'reform' tradition of P.W. Botha (piecemeal adjustments to irritants whilst keeping the premises of apartheid intact). This 'reform' process was reactive, graceless and counter-productive. His 'Divide and Rule' policies sought to bring the Coloureds (mixed race people) and Indians into the white sphere of influence, at the expense of the black majority. The formation of a tri-cameral parliament to accommodate White, Indian and Coloured representation marked the high – or low – point of his constitutional juggling. The riots in the mid-eighties in the black townships were a frustrated response to the attempts, not only at the balkanization of the country into 'homelands' for the various races, but at the exclusion of the majority black population from any political voice within white South Africa.

Towards the end of the Presidency of P. W. Botha, a siege economy was emerging. For although the intensification of the sanctions debate concentrated people's minds on the South African political and moral issues, the major element in the isolation of South Africa was economic. Investors started withdrawing capital, and international banks refused to roll over their loans as they lost confidence in the currency, the management of the economy and the failure to devise any clear political path for the future. The currency markets were closed and were replaced by the two-tier Financial and Commercial Rand markets to control the outflow of capital; repayments on the external debt were subjected to a moratorium. South Africa, in acute need itself of foreign development capital, became an exporter of capital. Without a practical political initiative no economic solution was possible. The dramatic decline of the currency (by over 60 per cent during the last decade) illustrates

the international loss of confidence in South Africa's economic future¹.

Moreover, the population in South Africa, currently 38 million, is growing rapidly at the rate of 1 million people per year. The fact that 40 per cent of blacks are under fifteen years old compared with 23 per cent of whites places an additional strain on the economic future. It has been estimated that the economy would need to grow at about five per cent per annum merely to absorb this growth, against a current growth rate of around one per cent.

The National Party's election manifesto for the September '89 election, led by F.W. de Klerk, promised 'drastic changes in the constitutional sphere'. He also hoped that it would be the last election in which blacks did not participate. Despite the increase in the number of seats won by the right wing Conservative Party (22 to 39), the National Party retained a majority reduced from 80 to 22 seats with a mandate for change.

Following the election several developments persuaded de Klerk that a new initiative was required. Namibia obtained its independence following free multi-party elections. Also an agreement, broked by the superpowers, had brought about a ceasefire in Angola. The political climate in southern Africa had changed, away from hostilities towards a search for peace.

Against this background of change – a bleak economic outlook for the domestic economy, an increasing growth in population, political stalemate in negotiations with black leaders, and escalating violence in the black townships – expectations were running high for de Klerk to take drastic action. Moreover, despite the successful re-scheduling of South Africa's external debt, the constraints on capital inflows and continued capital outflows were impeding growth, creating unemployment, and thus exacerbating social unrest.

East block countries had given regular military, financial and other aid to guerrilla movements espousing Marxist philosophies. The dramatic changes in the USSR and in Eastern Europe therefore played a significant part. These countries' support for the ANC, the Pan Africanist Congress and other

1. There are at present (May 1990) R.4.40 Commercial Rands to the Pound.

insurgent groups had been substantial. With their overwhelming domestic political concerns they now began to show less commitment to supporting foreign adventures. Their political upheavals led to new global questioning about the possibilities of change.

It also became evident that the ANC was divided in its own policies towards negotiations. The military wing, having failed to penetrate successfully into South Africa, had lost its ascendancy within the organisation to those favouring negotiations. A process had already begun whereby several high level academic and business meetings between the ANC and South African leaders took place.

De Klerk was thus able to present to Parliament not just a programme for the reform of apartheid but a bold outline for the transformation of the whole of South African society. Dr Andries Treurnicht, the leader of the right-wing Conservative Party, in a remark intended to convey a different meaning, described it as the most revolutionary speech ever made by any leader of the National Party. That it probably was.

2

The President breaks rank

President de Klerk's speech to the opening of Parliament was a political risk. He spelled out the demise of imposed white government. 'The aim', he said, 'is a totally new and just constitutional dispensation in which every inhabitant will enjoy equal rights, treatment and opportunity in every sphere of endeavour – constitutional, social and economic.'

Thus the speech marked a watershed in South African politics.

It began by addressing the issues of real politics. At last the search for a new constitutional dispensation appeared to have begun without pre-conditions. Constitutional changes had hitherto been imposed by a white parliament. Representative black opinion had not been sought. The ANC had never been consulted. Within that week, the Minister for Constitutional Development and Education, Mr Gerrit Viljoen, who will take charge of the negotiating process for the Government, told a press conference that the end of sole National Party rule was in sight; and that negotiations would be about representation in a unitary state, thereby explicitly marking the end of official policy of a separate homeland for every tribe in South Africa and predicting that power would in ten years time reside in a 'coalition of some kind'. For the first time, the Government appeared ready to talk to the leaders of the majority.

The President took an extraordinary political risk in alienating a growing number of right wing white South Africans, the consequences of which should not be underestimated. Unlike any of his predecessors, his action could be construed as weakening the security of whites, of strangling the philosophy of separate development and of marking the demise of 'white politics'. Many traditional supporters of the National Party questioned the risk of his words and actions. The genuine fears of the rank and file National Party supporters will have to be addressed as a priority. For the moment they are prepared to give the President the benefit of his courage.

The right wing Conservative Party reacted furiously. Their language of rage is a portent of the difficulties ahead.

The leader of a demonstration in Pretoria called F.W.de Klerk 'a traitor to white South Africans', Dr. Treurnicht, the Conservative Party leader, said that there would never be peace until whites had their own separate homeland, and the neo-nazi AWB's leader Eugene Terreblanche called on whites to force a general election as 'the last chance before the revolution'. Right wing demonstrators fired shots at the British Embassy in Pretoria.

The reactions of the right wing to the negotiating process are important. The more fears of domination by a black-led government are increased, the greater will be their resistance and the wider their appeal to white South Africans. Although a new phase of *broedertwis* (in-fighting between brothers) is to be expected, de Klerk has shown his willingness to throw off the millstone of the right wing whose threats so obstructed the progress of his predecessors. Yet he cannot underestimate the power of this grouping. Eugene Terreblanche has gone so far as to declare: 'when the Government capitulates to the ANC, that night we take over the country by violence'. This may be idle and inflammatory talk but the growth of vigilante groups in rural areas and the well-armed white population raise serious questions.

In a sense the white 'tribes' have sorted out their agenda for negotiations by returning the National Party to power at the last election. It is significant that the right-wing, Conservative Party, will not be invited to participate in the negotiations. The model of grand apartheid with its belief in separate homelands for each tribe will then not even be on the agenda. Of all the groups in South Africa they will have been marginalised and can therefore be expected to resist changes which threaten their rights.

De Klerk's speech differed from his predecessor's in the emphasis he placed upon the need for 'a drastic structural adjustment' to the economy. In the coverage given to the political implications of his speech too little attention has been paid to his commitment to a market-led system. At the head of his comments on the economy, which took up much of the speech, he boldly stated that:

'A new South Africa is possible only if it is bolstered by a sound and growing economy, with

particular emphasis on the creation of employment . . . The Government's basic point of departure is to reduce the role of the public sector in the economy and to give the private sector maximum opportunity for optimal performance. In this process, preference has to be given to allowing the market forces and a sound competitive structure to bring about the necessary adjustments.'

He spelled out his Government's commitment to reduce inflation, encourage personal initiative, pursue privatisation of state industries and promote a dynamic economy designed to increase employment and improve living standards.

South Africa is in a strong position to be able to undertake both a political and economic revolution at the same time. The resources available, if exploited effectively, could go far to cushion the adjustments caused by the inevitable political changes. De Klerk has grasped the opportunities of the enterprise economy, seeing them to be as vital in establishing the new South Africa as are the political initiatives.

For the first time in decades South Africa looked as if she had seized a political initiative which had the potential of commanding the support of the West. By announcing more changes than had been expected by anyone, and by following these with specific actions, President de Klerk began to demonstrate the real break with the siege mentality of apartheid.

The conclusion is that de Klerk has truly burnt his political bridges. He has not merely undertaken a programme of incidental change but has unleashed a process of transformation which is acquiring a momentum of its own and cannot now be stopped, even by the man who broke the log-jam.

In this momentum lies great danger. In assessing developments in South Africa the temptation is to lurch from naive optimism to excessive pessimism, looking at the enormity of the task ahead. Events are unlikely to proceed at an orderly pace reflecting a serious-minded negotiation between two reasonable men. De Klerk has charted a course for these negotiations but he is in no position to hold to it. He may wish, but cannot command, the ANC or any participants to play by his rules and to file through the gate of compromise into the

kraal of his choosing. It is obvious that for a genuine negotiation to take place compromises will have to be made. But whereas de Klerk has indicated his willingness to commit himself to this path, other participants have not. At some stage, the radical elements will insist on simple majority rule. A stand-off, which may take a third party to break, is a likely prospect. Re-alignments within the ANC and other parties could so constrain Mandela's scope for manoeuvre as to scupper the proceedings. An impasse must be expected as the ANC seeks to test its as yet unproven popular mandate.

Mr Mandela is wrong in saying that nothing fundamental has changed as a result of the speech. His point that he was disenfranchised when imprisoned and is still disenfranchised now does not mean there is no change. After all, this is precisely what the negotiations are going to address.

Negotiations are a process

The rulers of South Africa have publicly stated, and begun to act on, the abandonment of the philosophical premises of apartheid, whose moral affront has been broken and whose process of dismantling can now begin. Many might have wished, on the lines of Eastern Europe, to have seen a big-bang end to the many injustices bred by that abhorrent political system. The political realities in South Africa demand that the differing vested interests must be accommodated through a process of bargaining.

This process has to be gone through. The whites are prepared to *negotiate* about the future order but they are not *capitulating* à la white Rhodesia. Mr de Klerk is not bowing to the inevitable. That would not require a negotiation. Nor is he merely handing over power and hoping for an orderly transition. All the injustices of South Africa's tragic social history, the impedimenta of years of apartheid rule, the legitimate fears of the whites and the huge socio-economic divide between the people come with the participants to the negotiating table. The slate has not simply been wiped clean and a fresh start ordered. That at least is Mr. de Klerk's position.

The ANC seems to accept this position for the moment. Mr Mandela could well have said that there is nothing to negotiate, biding his time until the demand for universal suffrage in a unitary state was met. He has not done so yet. For the while it must be assumed that both de Klerk and Mandela are serious about negotiating a new future for South Africa. On both sides this apparent sweet reasonableness may not win the day. A long negotiating process is inevitable. The politics have changed dramatically, being now a matter for 38 million people, not only for five million whites.

One of President de Klerk's reasons for making his moves now is to ensure that the back of the negotiations is broken before he has to face the white electorate again in 1994. He is unlikely to win another general election on the present electoral roll without an acceptable constitutional settlement. He therefore only has four years before facing the electorate in a referendum. Time is not on his side.

Notwithstanding liberal enthusiasm for the negotiating process, the reality is that the levers of power are still in white hands. True, there has been a shift in power. Early next year the Land Act and the Group Areas Act, which prescribes segregated occupation for the various races, will finally be abolished: not a moment too soon. And the hated Population Registration Act which codifies each citizen by race will have to follow as part of the new constitution. The lifting of the state of emergency is perhaps harder given the continuing unrest, especially in the urban townships.

The ANC, in common with everyone else, were taken by surprise at their unbanning. They are clearly not prepared for detailed negotiations. Although the first meeting has taken place, they will probably not want to start serious discussions until they have clarified their own policies and settled internal organisational structures. The uncertain relationship between the ANC officers in exile and those in South Africa is causing a natural tension which must be resolved.

In August 1989 in the Harare declaration, the ANC set six conditions that had to be satisfied before full political discussions could take place. They were: release of all political prisoners and detainees; unbanning of political organisations; removal of troops from the townships; ending of the state of emergency; repeal of legislation curtailing political activity; and ending of political trials and executions.

President de Klerk has now met half these requirements. The return of exiles is contemplated in a Bill before Parliament. The first meeting between the Government and the ANC has taken place. Both sides have now committed themselves to work towards a negotiated settlement. A working party has been set up to resolve the definition of political prisoners; the Government has agreed to work towards the lifting of the state of emergency; and the ANC will work towards the elimination of violence and intimidation. But, there was no official mention of the end of the armed struggle.

Whether the ANC is able to undertake substantive negotiations before the conference which it is planning for December 16th is an open question but, given its lack of organisation, the odds are on a slow start to the talks.

Although much of the Western press has characterised the coming negotiations as being two-party ANC/Government they will almost certainly be multi-party and complex. The Zulu chief, Chief Buthelezi and his Inkatha movement will clearly be at least one other important participant.

The formation of alliances between the various interests are likely to be a feature of the talks. In the new dispensation it is by no means clear how the representative groups will align themselves. The ANC and its allies will be in one camp, the National Party in the other. But with whom will the other major groups be aligned? The wild cards are the extremist PAC and CP but the roles of Chief Buthelezi and liberal white opposition groups could well swing the balance. As the political mould is broken, the way is open for many permutations. Even the idea of a National Party/Inkatha alliance is not impossible.

In any case the momentum for change cannot now be stopped. Clearly, the authoritarianism and entrenched racism in the South African system was not eradicated by one speech. But there is a desire to bring about a new, non-racial society. The fear that President de Klerk will abort the process or drag his heels is an unreal one, and at odds with domestic political necessity.

The anti-apartheid *Weekly Mail* in South Africa recently urged the ANC to 'take the gap' following de Klerk's speech. Their editorial went on to call on the ANC to return from exile and to take part in the discussions, concluding that:

'Most importantly, this option will allow the ANC to get down to what really needs to be done: mobilising enough people and enough support to ensure that de Klerk cannot turn back'.

This domestic reality explodes the myth that President de Klerk is kept to the negotiating table by the threat of further international sanctions. He is not. He will be kept there by his realisation that he cannot go back to the laager now that its fortifications have been breached. And by the will of the people. If, for example, de Klerk were to wish to re-ban the ANC he would find that he could not. Scenes like those in Eastern Europe in recent months would be seen on the streets. The country would become ungovernable.

Recent developments

The measure of the real changes can be gauged by the developments following the February speech. A new openness in government has led to the dismantlement of the shadowy National Security Management System, the élite inner cabinet which acted as P. W. de Botha's *securitate*. Conscriptio has been reduced from two years to one. The Harms enquiry is now investigating a para-military unit thought to have been responsible for carrying out political assassinations. The purging of the past, or at least allowing the excesses of the past regimes to be debated publicly, is a sign as much in South Africa as in Eastern Europe of the genuineness of change.

Schools have been allowed a free vote on whether they wish to become racially integrated. And within months leaders in the black homelands have been calling for re-integration with South Africa. When a coup was staged against one of these leaders, Lennox Sebe in the Ciskei on 4 March, no effort was made by the South African military to send re-inforcements to keep him in power: and this although the coup leader, Brigadier Oupa Gqozo, was committed to re-integration with South Africa and is a supporter of the ANC. These homelands, the cornerstone of the apartheid edifice, have been costly beyond imagination. They siphoned off R.6.2 billion of government revenue in 1988/9. Their desire to maintain the imposed independence from South Africa has withered and their dismantling is now being set in motion.

The recent budget funded the commitment to change. A 'peace dividend' has led to the defence budget being cut by R.1.9 billion. It is now only 3.7 per cent of GDP compared with 4.4 per cent in Britain, 5.9 per cent in the USA and 7.3 per cent in Zimbabwe. The Government's new attitudes were reflected in the 18 per cent increase in spending on black education of R.750 million, (compared with only a 9 per cent rise in white education). The creation of a R.3 billion fund 'specifically dedicated to the removal of social economic backlogs', funded from the exchequer and from the privatisation of state assets, has been made

available for social programmes to benefit blacks. Two-thirds of this fund will be used to fund a private trust, welcomed by Nelson Mandela and headed by a former judge, Mr Justice Steyn, to support private business and other initiatives. 'The principle is clear that our resources must unlock people's abilities to help themselves', said Judge Steyn. This is an imaginative break with paternalist hand-outs – a new enterprise-led effort to promote the participation by all South Africans in the community.

Nevertheless the tragic truth is that violence has continued at an accelerated pace in the black townships. Since the freeing of Nelson Mandela some 400 people have died in the feud between ANC supporters loyal to him and those who support the Zulu-based Inkatha movement of Chief Buthelezi. South African troops have had to be sent in to try to reduce the killings. It has also become very clear that Nelson Mandela's call to his supporters to stop the killings has not been heeded – which raises the question whether the ANC's writ really does run in the townships.

Mr Mandela, at his Wembley pop concert, took the opportunity to repeat the ANC's opposition to the relaxation of sanctions and made a scarcely disguised attack on Mrs Thatcher's policies. The sanctions issue is a very important political tool in the ANC's negotiating strategy. To this banner any number of sympathisers can be drawn, yet its acceptability to black South Africans has never been tested.

In predictable response to this rally, President de Klerk has had to assure his own constituency that there will be a fair settlement and not a surrender. He therefore ruled out 'simplistic' majority rule in South Africa. He had to assure white South Africans that the going was not all Mr. Mandela's and that they had a 'key role in the new dispensation'

These public declarations are unhelpful as they invite retaliatory comment which can serve only to make the negotiations more difficult.

Britain and South Africa

All these developments have been followed closely by Britain. The historical links with South Africa go back for centuries, during which time the level of trade between the two countries has grown steadily. There are at present 225 British companies with investments in South Africa amounting to about £3 billion. Some of the major British companies are represented in South Africa e.g. BP, RTZ, ICI. In addition to structural investments in South Africa Britain is the third largest exporter to South Africa, exporting goods valued at about £1 billion p.a. British exports to South Africa for January and February, 1990, were up by 24 per cent over last year. It has been estimated that 120,000 British jobs are involved in trade with South Africa. Indeed, trade has grown steadily notwithstanding sanctions.

It has been calculated that there are at present up to 800,000 South Africans with rights of abode through British passports.

Not unnaturally, diplomatic activity between the countries has been well sustained. Mrs Thatcher met P. W. Botha in 1984. She has met, and indicated her willingness to meet, members of the cabinet of de Klerk, who will himself be visiting Britain on 19 May. Regular contact is maintained with major potential participants. It is widely recognised that the British Ambassador in South Africa, Sir Robin Renwick, has played a most valuable role in recent developments.

In the eyes of many nations Britain is, however, compromised because of the Government's opposition to sanctions.

Yesterday's debate

Much has been written about the efficacy of sanctions, dominating the debate on South Africa over the last five years. An early caveat is needed. The imposition of strong sanctions could produce some apparently beneficial economic effects. The drive towards protectionism, domestic self-sufficiency and the stimulation of exports produce current account surpluses. These may seem to be positive signs of prudence but they are not. South Africa is a developing country. It needs to make major capital account investments. Production of short term trading surpluses may fund foreign obligations but are counter-productive. By forcing the country to honour substantial foreign debt repayments, capital account investment is deferred. South Africa needs to make these infra-structural investments if the aspirations of its growing population are to be addressed. The economy may be made to sweat, but it is not crippled as sanctioneers would have it.

The purpose behind the many sanctions resolutions, study groups, eminent persons groups and anti-apartheid committees was, at least in the public eye, to do with the elimination of the injustice of apartheid. The weakness of the pro-sanctioneers is that their argument is diffuse, their strategy ill-defined, their mechanism for gradual lifting of the sanctions in response to progress inchoate.

If sanctions are to succeed, they must have specified strategic goals with an inbuilt mechanism which ceases to make them applicable upon the achievement of *realistic* objectives. Thus a balance is needed between carrot and stick. The problem with the South African case is that carrots to entice South Africa into change have been untendered, and the sticks have driven it into self sufficiency. The publicists have created the illusion that sanctions are effective; illusion it is.

The argument for comprehensive sanctions has always failed on the logistical impossibility of imposing them. Land-locked Rhodesia managed to resist sanctions for 15 years. South Africa could very well do so for much longer given the extensive coastline which would have to be blockaded if they were to be

imposed comprehensively. In any event, so long as diamonds, gold and platinum are such large components of South African exports (currently over 40 per cent by value), it would be an assiduous sanctioneer indeed who would be able to prevent the airborne export and trace the end purchaser of these vital but fungible commodities. South Africa continues to provide the West with many strategic minerals – which is why the US Administration required 14 such minerals to be excluded from its sanctions list. A prolonged interruption in the supply of gold would badly unsettle international financial markets (increasing currency volatility, too).

The sanctions measures that have been applied have therefore been limited, and largely observed in the breach. Far from deterring trade, they acted as a spur to South African exports. Producers have found new markets, particularly in South East Asia. Non-gold exports have risen steadily. Automotive exports, for example, have grown ten fold in the decade, notwithstanding the withdrawal of General Motors and Ford.

Not only has South Africa become almost self-sufficient in the manufacture of defence equipment; it has also become a considerable exporter – so successful indeed that the UN has had to extend the embargo to include the *purchase* of arms (Armcor, the state owned defence manufacturer, now has an estimated turnover of US\$3 billion a year, its exports probably being of the order of US\$1 billion to 23 different countries).

Trading sanctions have clearly failed. In the four years 1985 to 1988 France's imports of South African goods more than doubled from US\$275 million to US\$638 million. At the same time, French exports to South Africa rose by 20 per cent. German imports almost trebled from US\$567 million to US\$1.6 billion. Its exports to South Africa leapt from US\$1.7 billion to US\$3.3 billion.

To take one example, coal continues to be exported to many parts of the world, including apparently the People's Republic of China. Coal exports are expected to reach a record 46 million tons this year. Recently France, in order to compensate for a decline in production as a result of difficulties of transportation on the Loire, increased imports of South African coal.

Nor is trade confined to other continents. It is probably the case that all the Organisation of African Unity nations trade with South Africa. Certainly trade with the rest of Africa has risen steadily during the sanctions years and is now estimated to be worth more than US\$1.5 billion.

As the South African economy has expanded, so foreign investors have, despite the sanctions resolutions, continued, albeit on a very reduced scale, to put money into new investments in South Africa. For example, BMW has recently announced a retooling for its South African motor manufacturer amounting to £125 million.

President de Klerk, if he had chosen to do so, could have soldiered on for many more years exploiting the gaping holes in the sanctions wall. Nothing in the reality of South Africa's trading relationships with any of the major countries of the world gives any credence to the opinion that South Africa would have been brought to its knees by these measures; indeed other countries might have been the principal sufferers.

Sanctions against South Africa affect the economies and people of the neighbouring countries of Mozambique, Zimbabwe, Botswana, Lesotho, Swaziland and Malawi as well as Zambia (and possibly still further north). It was for this reason that, whatever President Mugabe declared, he was never in a position to abide by his own calls for sanctions. A novel argument has been advanced by the front line states to the effect that, as they would be most affected by sanctions, they should not be required themselves to implement the measures. Their 1986 Luanda communique said:

'Although individual SADCC member states may not themselves be in a position to impose sanctions, SADCC member states' vulnerability should not be used as an excuse by others for not imposing sanctions.'

Pain, it appeared, should be borne by the blacks in South Africa but not by the citizens of Zimbabwe. Trade between the front line states and South Africa continues to grow.

From time to time, South Africa and the sanctions issue have provided a domestic political flag on which the relevant party could embroider its anti-racist credentials. The activities

of the Revd Jesse Jackson during the last Presidential election campaigns in the US and the enforced responses of the major parties to the sanctions issue are examples. And for every re-allocation of a resource from South Africa a beneficiary gains. So, despite the cry of the Philippines Government that the struggle against apartheid was 'the great moral issue of our times', they were happy to acquire the US sugar quota following the imposition of agricultural sanctions against South Africa.

7

Sanctions: the talisman

To the pro-sanctions lobby, the attitude to sanctions is a political talisman. Those who embrace the case for their maintenance are deemed to be against apartheid; those opposed to their maintenance deemed to support the regime. In international ecclesiastical councils the strength of one's support for sanctions is a moral virility test. This has especially been so since the release of Nelson Mandela and his call for the maintenance of sanctions. Mrs. Thatcher's opposition to them has led to her being accused by Gerald Kaufman of being 'the world's best friend of apartheid'. This is, of course, quite untrue as even Nelson Mandela was reported to say in a recent interview:

'I respect her, you know, very much. And I had the confidence that because of her strength of will, because of her honesty, because of her opposition to apartheid, we would be able to make a deal.' (*Sunday Telegraph*, 1 April 1990).

Yet the moral argument for equivalence (pro-sanctions = anti-apartheid = good) is not settled. In part this is because blacks within South Africa are themselves divided on the subject. No serious opinion poll has found a majority of black South Africans to be in favour of the maintenance of sanctions, or of any measures which might lead to a reduction in employment. And whilst the European-linked Churches, the United Democratic Front and other ANC sympathisers have consistently advocated their maintenance, substantial church and other black leaders, including Chief Buthelezi – as well as the major anti-apartheid white South African political parties – have all been opposed. Earlier this year FABCOS, which represents 1.2 million black self-employed and small businesses met Mr Mandela to express concern about ANC policies on sanctions.

Every sanctions measure has in effect impoverished further an already hard pressed black community. Mrs Thatcher has repeatedly argued that the morality of a measure which pays no attention to the lives of the people that it affects, and which is imposed without their consent, is deficient (especially when

advanced from the comfortable chairs of international non-participants).

Those in favour of sanctions usually baulk at their universal application. To be consistent, they would have to favour the closing by the major pharmaceutical companies of the world of their factories in South Africa which manufacture antibiotic and other life-saving drugs. There is, however, no essential moral difference between depriving South Africans of access to drugs and depriving a man of his livelihood, his employment and his ability to look after his family, all of which may follow the sanctions-induced closure of a manufacturing plant. Particularly in a country without social security, the ensuing poverty cannot be divorced from the moral arguments.

For these reasons, the British Government has consistently, and in the face of international opprobrium, questioned the morality of maintaining and intensifying sanctions which would hurt those least able to defend themselves i.e. the majority black population.

That some of our trading competitors have continued through this or that ruse to increase trade with South Africa, whilst at the same time portraying Britain as being the arch offender against the international consensus, is a curious case of double standards.

8

The lifting of sanctions

Immediately following the speech by President de Klerk, Mrs Thatcher, therefore, announced the beginning of the end of sanctions by removing the voluntary bans which covered investment and the promotion of tourism and cultural exchanges. The Commonwealth Secretariat denounced this action and the Committee of European Foreign Ministers refused to endorse the call for the Community-wide lifting of sanctions.

As the first steps in the irreversible chain of events that will lead eventually to the end of apartheid had been taken, it was entirely appropriate for Mrs Thatcher to signal that the time had come to start to lift sanctions, and for South Africa to be encouraged to begin negotiations.

Above all, if Western nations do not lift sanctions immediately they will become sucked into the negotiating process at the behest of one party, probably the ANC. As the negotiations ebb and flow, the West will be asked to intensify, or to promise relaxation, of this or that sanction. The levers of influence should not be in the hands of only one of the parties. South Africans need to settle their future themselves; no tilting of the playing-field.

There are other good arguments. The inability of the European Community to agree to the lifting of trade sanctions (in the face of the manifest move to break the grip of apartheid) shows how difficult it may be for consensus to emerge at the further stops – perhaps not so dramatic – along the line. In any event, since sanctions were so ineffective and so often breached, and since the moral argument is considered by so many as bankrupt, even greater breaches are likely.

The negotiating process will take years. With the intractable problems that surround them, it is important to have a buoyant economy as a background to the transitional period and as a prelude to the new, post non-apartheid society. By lifting sanctions the economy could be freed from another restraint.

Unfortunately, the sanctions issue has become a litmus test for anti-racism. And rational discussion of the former is almost impossible without evoking subliminal reactions to the latter.

That is why it is so important to disentangle the two. The intensification, or even the maintenance, of sanctions should be exposed as a policy now advocated only by the extremes. By the ANC, as a propaganda tool in the negotiations, and by right-wing white groups who see their maintenance as aiding domestic self-sufficiency. Even the Swedish government has refused to support the ANC's entreaties for intensification. President de Klerk has not raised their removal publicly. Mrs Thatcher, in a letter to Archbishop Trevor Huddleston, president of the Anti-Apartheid Movement, has dismissed the issue as 'yesterday's debate'.

As every public call for the removal of sanctions will immediately lead to the contrary demand for their maintenance why encourage any debate on 'yesterday's agenda'? Given their failure to restrict trade and to bring South Africa to her knees, there is a strong argument for letting them 'wither on the vine' bereft of either physical or moral nutrients.

But what *is* important is that the restrictions imposed on access by South Africa to the International Monetary Fund, the World Bank and other international financial agencies should be removed. Access would encourage the international private banking sector to take the commercial, and not the political, view on the re-scheduling of South Africa's external debt. This is where progress is needed and where Britain can play a key role in private inter-governmental initiatives. And this is why sustained diplomatic efforts should continue to be made towards the goal of the elimination of sanctions.

Further ahead, the emphasis of British policy should be directed towards encouraging the parties in South Africa, and foreign governments and international organisations, to focus on the nature of post apartheid society. Given our historical relationship with South Africa, Britain has a great part to play, not only in maintaining consistent pressure on the government to eliminate apartheid, but also in co-ordinating and communicating a new international initiative: one which looks forward to a reconstructed society and is not dominated by the issues of yesterday.

Post apartheid society

The demise of apartheid

Apartheid has been dying for some years; it is not dead yet and the speech by de Klerk was, sadly, not its post mortem. The reasons for its break-up are worth considering. The single, most important cause lies in the rapid economic integration of blacks and whites in an indivisible economy. One by one the legislative enactments sustaining apartheid have had to be repealed in response to the demands of a growing economy. The scrapping of laws reserving certain jobs for whites and the legalisation of the trade unions are two examples. The growth of a relatively prosperous black middle class whose wages have risen faster than those of whites has given rise to a new generation of economically active blacks whose intolerance of apartheid norms is evident. As a result, the substantial increase in black consumer spending has fuelled the growth in the consumer business sector and, in large measure, caused a re-direction of retail and financial strategy away from the dominant white consumer to the emergent black.

Sanctions have, if anything, slowed down the growth in their participation in the economy and so may have prolonged apartheid's life. The provision of an apparent remedy, internationally approved, has to some extent distracted attention from widening the gaping holes in the apartheid-based economic edifice. Although apartheid could survive for many more years under sanctions, it cannot withstand the inexorable growth in economic mobility of the majority of its own people. *It is prosperity, not sanctions, which has speeded the death of apartheid.*

The need for an enterprise economy

Negotiations are set to begin. Talks will try to formulate a new constitution in which all South Africans can participate. To discuss the various constitutional models which might emerge is without the scope of this paper. All issues to do with the new constitutional dispensation have to be resolved by and between South Africans. Nevertheless there are some stipulations which

have to be met along the way. The principal issue to be addressed is whether the only form of democracy is a one man one vote 'winner holds all power' system. The ANC strongly inclines this way. Within an African context democratic government is not necessarily linked to a Westminster model. There is every reason to believe that a Namibian style power sharing agreement is more democratic than the universal suffrage, one party state now prevailing in Zimbabwe. When de Klerk rules out simplistic majority rule he should not be taken as ruling out a democratic constitution. Nor should the agreement by the ANC to a constitution with checks and balances and minority protection be seen as a failure of majority politics.

The constitutional mechanics will be debated in the negotiations and Britain should be flexible in responding to these proposals. Some principles which need to be affirmed include:

- the new constitution must not be race-based. Any effort to entrench minority rights by reference to race is indefensible and this should be spelled out unambiguously during President de Klerk's visit to Britain;
- power sharing between the people of South Africa cannot be a carve-up of influence by political vested interests. If power is to be shared, accountability to the people is a manifest check on the exercise of that power. Universal suffrage is therefore a fundamental, but not the only requirement;
- the protection of the rights of minorities, whether through an entrenched Bill of rights, or through an upper-house not elected by the same electoral college, is a legitimate aspiration given South Africa's plural society;
- the eventual constitution is likely to draw upon some of the major federal models (say Swiss cantons, the US constitution etc.) as well as upon Westminster. *Devolution of responsibility and distribution of power are the essential ingredients.* The objective is to bring about a lasting and dynamic dispensation capable of absorbing change, as well as assuring every citizen of an effective voice in government and protection from arbitrary use of power.

Whatever constitution emerges will be little more than a

skeleton, the flesh of which will be the nature and vigour of the emergent economy. An enterprise economy which extends ownership, freedom of choice, and economic participation as widely as possible – to levels unimaginable with apartheid in place – is what will give the new South Africa vitality. The emergence of a market-led, enterprise economy, even more than any constitutional document, will best protect the liberty of individuals.

South Africa has the potential, unparalleled in Africa, for economic prosperity. Its resources, its efficiency of distribution and transportation, its financial infra-structure and the ingenuity of its people make it fertile ground in which an enterprise economy can flourish. The energy and formidable intellectual capital of its business community are the building blocks for future prosperity. (To take a small example, in 1984 South Africa filed applications for over 10,000 new patents and ranked 13th in the world. Egypt, the next highest in Africa, filed only 832 applications.)

Eastern Europe, also in the midst of political upheaval, has far less infra-structural support for constitutional and economical changes.

Economists have estimated that the South African economy needs, for its domestic purposes, to grow by at least five per cent a year in real terms in order to accommodate the increase in population. It should be able to achieve more growth than this. In a stable political system, with an environment friendly to business, and with the inflow rather than the export of capital, the capacity of the economy to expand and provide increased prosperity to its people (and to benefit neighbouring states) should not be underestimated.

Apartheid: racial socialism

It was not surprising that in his speech to Parliament, President de Klerk recognised that political change alone was not enough to sustain the new South Africa. He committed himself to an enterprise economy. In the context of South Africa this commitment to roll back the frontiers of the State is as radical as his political statements. Some in the ANC hold that the capitalist system is the real enemy; that the present economic system in South Africa embodies the excesses of free market capitalism. That is not so. In South Africa the market-led economy has not been tried and found wanting, it has not been tried at all.

For apartheid produces big government. And its fundamental tenets are anti-capitalist. There is a strong socialist streak in the political and economic thinking of the National Party. To fund a bloated central white civil service, and a growing homeland-based one too, taxation levels have remained high and the economy has come to live with administered prices across a wide range of commodities. Executive interference in terms of regulations of demand and the establishment of quotas pervades every major industry from agriculture to mining. State influence dominates electricity, water and transport. The National Party has for many years expressed an essentially corporatist philosophy, in both economic and political terms. This centralism, which has grown with each year of National Party rule, to the criticism of many National Party supporters, has stifled private initiative, especially in the business community. The recent privatisation of ISCOR, the iron and steel arm of the state, was an attempt to reverse this drift.

The enforcement of apartheid has led to a particularly pernicious form of command economy. The costs of maintaining separate amenities and facilities for the race-based homelands – the proliferation of regional authorities, local authorities, provincial authorities, separate schools, universities and training colleges for the various races etc. – has grossly inflated public spending. But central economic direction of the economy is the only way in which the ideology of apartheid can be maintained.

And the intensification of sanctions has meant the intensification of *dirigisme*. Direct interference by central government was deemed necessary in order to ensure that reserves of minerals, oil and other strategic stocks were maintained by the private sector. Very substantial amounts of capital are thus tied up unproductively.

The new privatisation programme announced by de Klerk faces hostility from the ANC whose official policy, set out in the 1956 Freedom Charter, is to favour the nationalisation of the mines, the financial institutions and key industries. In his speeches, Nelson Mandela has stressed the ANC's commitment to nationalisation.

Yet it is not so much present nationalisation as the overhanging threat of future nationalisation which brews uncertainty. Here is a recipe for driving foreign investors away. The example of Zimbabwe (for all Nelson Mandela's holding up of that country as a model), stands as a warning. In its ten years of independence there have been only three examples of fixed foreign capital investment in the country, and they have all been small.

It would be a tragedy for all South Africans if, as a result of an old ideological commitment of the ANC, economic policies which have now been abandoned in so many parts of the world were to add a fresh burden on the South African economy. Structurally, the economy is in as great a need of radical change as are the political institutions. The move towards a market driven economy will be as difficult for President de Klerk and the National Party to engineer as it is for Nelson Mandela and the ANC to accept.

Notwithstanding de Klerk's commitment to a new enterprise economy he will face great difficulty in following through his commitment. Will he, for example, be prepared, in the face of ANC objections, to press on with the privatisation of, say, ESKOM, the state owned electricity generating and distribution company? There is an indication that the drive towards popular capitalism may well be slowed in the face of ANC resistance.

The return of foreign capital

Post apartheid society will need a great deal of foreign capital to fund its long term structural developments. (There is even talk of a Marshall Aid plan by means of which substantial foreign aid would be channelled to South Africa upon the successful conclusion of the negotiations.) But the demand for foreign capital to help re-construction projects in Eastern Europe and elsewhere will probably be greater than at any time since World War II. Any proposal to pour foreign government funds into South Africa in an aid programme needs to be challenged. Her economy is robust enough to be able to generate sufficient long term returns to be attractive to foreign private capital. There is no need for an international aid package unless nationalisation and other *dirigiste* interventions are allowed to stifle the wealth-creating capacity of the people. What is needed is that South Africa should cease being a net *exporter* of capital, and that an enterprise economy should be allowed to grow. This is a priority item on the agenda for negotiations. But what will potential investors want to see emerge from these negotiations? Some of the critical requirements are:

- a just political settlement which brings about a stable multi-party democracy in which minority rights are protected;
- the proscription of apartheid;
- the dismantling of the current command economy, allowing the emergence of a vigorous enterprise economy with opportunities for all to participate in and benefit from the creation of wealth;
- the definitive settlement at the negotiations of the issue of nationalisation, so that policy uncertainty does not deter the inflow of investment into the key industries under threat;
- a guarantee that there will be no restriction on the remittance of capital or the blocking of dividends or the confiscation of international investors' assets in South Africa;

- a specific determination to maintain the value of the currency and to make the fight against inflation a top priority. To achieve this the Reserve Bank of South Africa should be given its independence, separated from government control and charged with keeping domestic prices stable.

Recently both Chile and New Zealand have followed the example of the Federal Reserve Board in the US and the Bundesbank in Germany in establishing independent central banks. These are the examples to follow. Few acts would do more to bring in foreign capital.

Conclusion: a new initiative

Post sanctions and post apartheid

(i) Discussion must be focused on the ways in which Britain, our partners in the EC and possibly the Commonwealth can influence the shape of post apartheid society in South Africa. However much the ANC might like to make it so, the debate on sanctions should not be allowed to dominate, or determine Britain's international response to developments in South Africa. Rather, through a new British initiative the ground could be laid for constructive co-operation to meet the following objectives:

- the encouragement to all parties to start negotiations as soon as possible and to sustain them to the end;
- the rapid end to apartheid in its legislative form and in the dependence culture that it has spawned;
- an orderly transition to a multi-party democracy; and
- the establishment of a vigorous enterprise economy which gives to every citizen an opportunity to increase his own and his country's prosperity and fund the social development programme.

Every effort must be made by Western democratic countries to prevent the repetition in South Africa of the experience in the rest of Africa where political independence and economic decline have gone hand in hand. The last report of the World Bank on the decline in the economies of sub-Saharan Africa makes sorry reading. Black Africa's foreign debt last year was 115 per cent of GDP compared with only 28 per cent in 1980. The requirement for Western aid from these countries and the backlog of unpaid debts owed to Western Banks is not, however the principal reason why the West should make every effort to steer South Africa towards an enterprise economy. The principal reason is to secure the widespread participation by all people in the economic life of the nation; for that is the best known guarantee of the dignity and liberties of the individual. Black South Africans, in particular, have been denied opportunities to participate in a free economy.

The *Economist* recently commented on the economic decline in Africa as follows:

'... something else is needed: a market economy. In this Africa is no different from Eastern Europe. Both need all the help they can get to encourage the growth of private forms and individual enterprise. In time, economic freedom will breed political freedom.'

This is true for South Africa as well.

Given the historical disparity of resources between the blacks and whites e.g. in education, land distribution, share ownership, etc. it is easy to understand why there will be a vehement desire to try to reverse injustices by means of some quick-fix governmental intervention. All the elements of the command economy stand ready to be called in aid. But socialism of any kind (even assuming that a truly democratic kind is possible), cannot deliver in reality what it promises in rhetoric. This is the fraud which the peoples of Eastern Europe have discovered, and this is surely why President Gorbachev is said to be planning to privatise up to 70 per cent of Russian industry.

The reality of socialist economies is that wealth is *destroyed* by trying to *redistribute* it; they only distribute poverty in the name of political objectives.

A new British working party, drawing on our experience of popular capitalism, should be established with clear channels of communication to all participants in the negotiations, using the languages of diplomacy, finance, commerce, business and education to help steer the country towards a market-led economy. Under this wide umbrella there are several local projects to be supported. The newly established Development Trust, headed by Mr Justice Steyn and aiming at a head start programme, with a brief of social enhancement through economic independence, is one such organisation.

Britain has blazed the trail of home ownership as a means of breaking the dependency culture. Black South Africans have never owned their homes in a place of their choice. Here the Urban Foundation in South Africa has done sterling work. The Foundation has persuaded government to give leasehold rights to urban blacks. It has also shown how, on the back of this change, to release private sector mortgage funding for black

housing. Britain has learnt much from the right-to-buy programme. This experience should be shared.

When Mrs Thatcher meets President de Klerk the themes of privatisation, wider share ownership and the rolling back of the frontiers of the state need stressing.

For years, British companies doing business in South Africa have had to observe EC Codes of Conduct. These prescriptions should now be abolished. The economic authoritarianism of the apartheid years has led to a resigned dependence culture among blacks. Few initiatives will break this cycle better than a drive to encourage small businesses in the black community. Major international companies should consider diverting a portion of their business to small black enterprises. There will clearly be problems of short term administration and efficiency, but before too long the new economically active entrepreneurs will play an invaluable part in a market-led redistribution of wealth.

In summary, the government should:

- establish a small working party to co-ordinate and communicate responses to South Africa. Its task would be to reflect the responses of Britain to the issues arising in the negotiations;
- speed up the Commonwealth committee which at Kuala Lumpur undertook to initiate a study into post-apartheid society;
- play a full part in setting up an EC Committee focusing on constructive ways of encouraging the economic development of a non-racial South Africa.

Of course, South Africans are themselves the principal negotiators of their own future; but they will be in no doubt about the interest of the international community in their plans.

Above all, the ANC plans for nationalisation of key industries should be high on the agenda, as should the effective dismantling of all the apartheid-induced structural impediments to a market-led economy. A South Africa, self sufficient, prosperous and free to shape its own destiny is the objective.

(ii) Although the sanctions debate should not be allowed to occupy the centre stage, every effort should still be made to have the one sanctions measure which really matters lifted. This is access to the IMF and other international financial agencies.

The continued diplomatic lobbying of the US and the EC should be sustained and an opportunity found - perhaps on the commencement of negotiations - for this restriction to be dropped.

(iii) The international banking and financial community has a decisive role to play in the funding of business in South Africa. Those negotiating a new constitution should be made aware of the conditions that foreign bankers and investors will look to before making further commitments. These views need to be made known through the working parties.

(iv) The Government needs to improve Britain's relationships with the ANC. Given its importance in any future government some mutual trust should be attempted. There seems every reason to believe that Nelson Mandela himself wants a closer relationship with Britain. Attempts should be made to keep the disagreement on sanctions in perspective. Whilst the ANC is still formulating its constitutional and economic policies at operating level, the various ANC committees charged with preparing proposals should be engaged in both formal and informal debate. Informal meetings at these levels are especially well suited to discussing issues such as the extension of home ownership, wider share ownership, the values of extended consumer choice, the deregulation of markets and the advantage to everybody of the policies of privatisation.

The ANC has assumed the role of spokesman for black South Africa, or as Nelson Mandela would put it, of a non racial South Africa. But this proposition has not been tested. The ANC has no members as such, and half its leaders are still in exile. Its Executive Committee is divided and it is unclear to whom it is responsible. Policy disagreements - notably of late about the attitude towards Britain - are growing. Structurally and organisationally, the ANC is weak, and unready to commence negotiations. There are many reasons why this is so. The incarceration of its leaders and the exile of the organisation for nearly three decades are the most important ones. But these reasons should not become excuses to delay. The return of the exiles and the establishment in South Africa of a grass roots movement is still awaited.

It should be made clear to the ANC that it will enjoy good

working relations with Britain only for as long as it remains committed to democracy and to policies which protect the liberty of the individual. Much more pressure should therefore be exerted on the ANC to drop its commitment, real or rhetorical, to the armed struggle. After all, why should ANC supporters in Natal be expected to throw their weapons into the sea whilst Mr Mandela clutches his ready for the armed struggle? The ANC leadership needs also to be pressed on the persistent rumours of torture inflicted on its dissidents. Clearheaded examination of its power base should be maintained and it would not be amiss to press the ANC as to how, when and where it will hold elections for its spokesmen. The evidence grows that the ANC's writ runs more strongly internationally than internally. The disregard by township activists of the older leaders in favour of more militant spokesmen raises questions about who the authentic ANC is (and will) be.

The Inkatha movement has to test its legitimacy in the new environment. Its claims to speak for 6 million Zulu people need to be questioned. Clearly, Chief Buthelezi's influence will be strong and his views will need to be accommodated. His power remains a force to be reckoned with, whatever the ANC and so many Western commentators choose to believe. Close contact with him should also be maintained.

(v) It is in Britain's interest to adopt an even handed policy toward the negotiations. This requires pressure on President de Klerk to keep up his commitment to the speed of negotiations, the dismantling of apartheid and the deregulation of the economy. The last does not have to wait for the negotiations but can be started immediately.

But this role, whilst even handed, is not disinterested. The values of personal liberty guaranteed by a free economy are part of the British experience and there is every reason to press for the same principles, restyled for an African context, to be adopted there.

South Africa possesses a strong Judaeo-Christian tradition, common to a majority of both blacks and whites. Here, the recent lecture by Professor Novak to the IEA should be read by the drafters of the new South African Constitution. He emphasised the strength of the tradition as the bedrock of democratic

capitalism – releasing as it does the springs of individual creativity within the order of a settled constitutional framework.

Concern for community, justice and charity which underlies Judaeo-Christian values provides the best possible corrective to, as well as the sustaining power of, a market-led economy. This is especially important in a country as diverse as South Africa is, and will continue to be.

(vi) Within Britain, pension fund trustees should now remove the widespread prohibition against investments in South Africa. This action would leave fund managers free to make investments when they judge the time is right. The pension fund trustees of state owned corporations (e.g. British Rail's pension fund) could set the pace by lifting restrictions.

Similarly, the Church Commissioners should again be allowed to invest in South Africa. Ethical investment, if it means what it claims, should now be directed towards supporting the development of non-racial, job-creating businesses in South Africa.

(vii) A trade mission led by the Secretary of State for Trade and Industry should visit South Africa (jointly, perhaps, with the CBI), not only to re-assess the trading environment but also to establish guidelines through which British businesses can contribute to building an enterprise culture.

(viii) As negotiations begin, so also should the rehabilitation of South Africa in international organisations. Participation in the General Assembly of the UN and re-admission to the many specialised UN agencies should now be in prospect.

A selection of recent studies

A EUROPE OF DIVERSITY Britain, Spain and Catalonia in Europe 2000 AD	£2.95
JOINING THE EMS for and against Christopher Culp and Harold James	£3.50
DRIFT TO UNION wiser ways to a wider Community Oliver Letwin	£4.95
THE DEMOCRATIC DEFICIT the balance in Europe for Britain to redress Michael Heseltine MP	£4.95
THE CONSERVATIVE COMMUNITY the roots of Thatcherism – and its future Robin Harris	£4.95
GIVING more ways to encourage charities Nicholas True	£4.95
THE DEMOCRATIC REVOLUTIONS popular capitalism in Eastern Europe John Redwood MP	£4.95

A subscription to the Centre

Also available from the Centre: associateship for £35 (or £30 for banker's order). This includes a minimum of ten policy studies published every twelve months, whose average cover price is £4.95; occasional papers and previous publications (while still in print) at half price; and half-price fees for the seminars, conferences etc. which the Centre holds. For full details please write or telephone to the Secretary to the Associates, CPS, 8 Wilfred Street, London SW1E 6PL (071-630 5818).